

## APPENDIX A

### Settlement

San Jose Water Company and Office of Ratepayer Advocates

Filed January 26, 2003

With Revised Pages submitted March 8, 2004

## APPENDIX A

### Settlement

San Jose Water Company and Office of Ratepayer Advocates

Filed January 26, 2003

With Revised Pages submitted March 8, 2004

(Rate Appendices are being prepared by the Water Division)

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SAN JOSE  
WATER COMPANY (U 168 W) for an Order  
authorizing it to increase rates charged for water  
service by \$25,793,000 or 18.20% in 2004; by  
\$5,434,000 or 3.24% in 2005; and by \$5,210,000 or  
3.01% in 2006.

Application 03-05-035

**JOINT SETTLEMENT**  
**OF THE OFFICE OF RATEPAYER ADVOCATES**  
**AND SAN JOSE WATER COMPANY**

## **JOINT SETTLEMENT**

### **1.0 INTRODUCTION**

- 1.1 This Settlement is entered into as of the date listed below, by and between San Jose Water Company (SJWC) and the Office of Ratepayer Advocates (ORA) of the California Public Utilities Commission (Commission) (collectively, the Parties). This Settlement resolves all the issues raised by ORA concerning SJWC's general rate increase request.
- 1.2 On May 23, 2003, SJWC filed Application 03-05-035, seeking authorization to increase rates charged for water service throughout its service territory by \$25,793,000 or 18.20% in 2004, by \$5,434,000 or 3.24% in 2005, and by \$5,210,000 or 3.01% in 2006. ORA protested SJWC's Application.
- 1.3 ORA conducted an independent review of SJWC's Application, supporting testimony and workpapers. As part of this review, written discovery was exchanged and field tours were held. Upon conclusion of its review, in November 2003 ORA submitted its Reports on the Cost of Capital and General Increase in Rates for SJWC. ORA's testimony indicated particular areas of disagreement with SJWC's Application and rate request. SJWC served rebuttal testimony in December 2003 in response to ORA's reports.
- 1.4 Subsequent to the exchange of SJWC's rebuttal testimony, the Parties met to discuss the areas of disagreement with SJWC's Application. As a result of such discussions and negotiations, the Parties resolved all issues in the manner set forth in greater detail below. Appendix A to this Settlement shows a summary of earnings comparison reflecting SJWC's request, ORA's position, and the Settlement result. This comparison exhibit demonstrates the impact of the Settlement in relation to SJWC's application and ORA's contested issues, as required by Rule 51.1(c) of the Commission's Rules of Practice and Procedure.
- 1.5 In accordance with the terms of this Settlement, SJWC rates charged for water service will be increased so as to increase revenues by \$11,773,000 or 8.00% in 2004, by \$4,283,000 or 2.69% in 2005, and by \$4,245,000 or 2.59% in 2006.

- 1.6 This Settlement resolves all issues in this proceeding and provides benefits to SJWC's customers. The Parties believe that this Settlement, together with those materials presented on the formal record in this proceeding, provide the Commission with the basis for finding that the Settlement is reasonable, fair and in the public interest.

**2.0 CUSTOMERS AND CONSUMPTION**

**A. Unaccounted-For Water**

- 2.1 ORA and SJWC agree that unaccounted-for water included for ratemaking should be 6.8% based on the most recent three-year average (2001-2003) of historical information. This more accurately reflects year-to-date 2003 information provided by the SJWC.

**3.0 OPERATION AND MAINTENANCE EXPENSES**

**A. General**

- 3.1 SJWC agrees to use the escalation factors for September 2003 as recommended by the Energy Rate Design Economics Branch and as used by ORA (Attachment A of ORA's report). ORA's escalation information is more current than the escalation factors originally submitted with SJWC's application in May 2003.

**B. Payroll Applicable to All Sections**

- 3.2 ORA and SJWC agree to use 4% labor escalation factor in 2004 and 3.5% in 2005 for both union and administrative employees, in accordance with the Utility Workers Union and Operating Engineers Union contracts ratified December 18, 2003 and effective January 1, 2004. SJWC provided the updated contracts to ORA and information showing that the labor increases for non-union payroll historically mirrored the increases established in the ratified union contracts. For ratemaking purposes, the associated payroll expenses are distributed across departments using SJWC's allocation methodology.
- 3.3 SJWC agrees with ORA's recommendation to maintain, for ratemaking purposes, SJWC's ten (10) executive salaries at the 2003 level for Test Years 2004 and 2005.

**C. Operation - Source of Supply**

- 3.4 SJWC agrees with ORA's estimate for Purchased Water. ORA's methodology calculates the total purchased water expense using the current rates charged by the Santa Clara Valley Water District, whereas SJWC's proposal included a forecast of the test year rates for purchased water. SJWC will be able to file rate offset advice letters for increases to the cost of Purchased Water to be tracked in the water production balancing account.
- 3.5 SJWC agrees with ORA's estimate for Pump Taxes. ORA's methodology calculates the total pump tax expense using the current rates charged by the Santa Clara Valley Water District, whereas SJWC's proposal included a forecast of the test year rates for pump tax. SJWC will be able to file rate offset advice letters for increases to the cost of Pump Tax to be tracked in the water production balancing account.
- 3.6 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Transportation category provides a consistent estimate for future expenses in this category.
- 3.7 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Other category provides a consistent estimate for future expenses in this category.

**D. Operation - Pumping**

- 3.8 SJWC agrees to ORA's estimate for Purchased Power, which is lower than SJWC's estimate due to the different quantities of water pumped in 2004 and 2005.
- 3.9 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Transportation category provides a consistent estimate for future expenses in this category.
- 3.10 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.

- 3.11 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Other category provides a consistent estimate for future expenses in this category.

**E. Operation - Water Treatment**

- 3.12 SJWC agrees with ORA's estimation for Chemicals for test Years 2004 and 2005, since ORA's calculation is based on a more recent review of 2003 actual usage and actual chemical unit cost.
- 3.13 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Transportation category provides a consistent estimate for future expenses in this category.
- 3.14 SJWC agrees with ORA's estimation for Purchased Services. The ORA estimate is calculated using a three-year average, which provides a consistent estimate for future expenses in this category.
- 3.15 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Other category provides a consistent estimate for future expenses in this category.

**F. Operation - Transmission and Distribution**

- 3.16 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Transportation category provides a consistent estimate for future expenses in this category.
- 3.17 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.

- 3.18 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Other category provides a consistent estimate for future expenses in this category.

**G. Operation - Customer Accounts**

- 3.19 Following a review of the year-to-date uncollectible information for 2003, ORA and SJWC agree that the Uncollectible Rate used for ratemaking purposes in Test Years 2004 and 2005 should be 0.1770%. The agreed upon uncollectible factor is based on a three-year average 2001-2003, which should more accurately reflect the Test Year 2004 and 2005 economic conditions in SJWC's service area.
- 3.20 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for Transportation provides a consistent estimate for future expenses in this category.
- 3.21 SJWC agrees with ORA's estimates for Postage expense in the test years. ORA calculated the postage expense using present postage costs. Based upon year-end information from the US Postal Service, postal rates are not expected to increase in the near future.
- 3.22 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.
- 3.23 SJWC agrees with ORA's estimation of Conservation costs, which is based on a five-year amortization (Water Management Report interval) of a six-year average of recorded expenses escalated for inflation. This estimate is in line with historical expenses for this category.
- 3.24 SJWC agrees with ORA's estimate for the Other category, since the historical data is distorted by prior year's accounting adjustments.



**H. Maintenance - Source of Supply**

- 3.25 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.

**I. Maintenance - Pumping**

- 3.26 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.
- 3.27 After further discussions and review of well performance documentation, SJWC and ORA agree that SJWC should be allowed to recover \$120,000 per year in 2004 and 2005 for well maintenance (two wells per year) requested by SJWC pursuant to a new well rehabilitation program. Well rehabilitation includes restoration of a water well to its most efficient condition by various treatments or reconstruction methods, in order to restore lost capacity and extend well life. Well maintenance work will be done on 3-Mile Station Wells W-5 and W-8 in 2004, and most likely on 17th Street Station Wells W-9 and W-10 in 2005. The exact two wells that will be rehabilitated in 2005 will depend on SJWC's review of the results of the 2004 well rehabilitations, since data obtained from this work may change how SJWC selects future candidates for rehabilitation.

**J. Maintenance - Water Treatment**

- 3.28 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Purchased Services category provides a consistent estimate for future expenses in this category.

**K. Maintenance - Transmission and Distribution**

- 3.29 ORA and SJWC agree that Purchased Services should be adjusted to reflect the allocation of the additional security costs (§ 3.33, below) and postal software licensing costs (§ 3.34, below) to this category.

- 3.30 ORA and SJWC agree that SJWC should be allowed to recover an additional \$318,000 in 2004 and \$324,678 in 2005 in this category of Maintenance expenses. Effective January 1, 2003, the City of San Jose imposed the responsibility for maintaining and servicing 11,721 fire hydrants located within SJWC's service area on SJWC, and SJWC thus became responsible for the maintenance and replacement of all such fire hydrants. On March 3, 2003, the Commission issued Resolution W-4374 authorizing SJWC to recover expenses related to these fire hydrants in its rates. The Transmission and Distribution portion of these expenses was about \$318,000 per year, which SJWC included in its estimates for 2003-05 in this proceeding. ORA's averaging methodology was based on historical information from 1997-2002 and therefore did not capture the additional costs associated with the fire hydrant maintenance program. Since the Commission in W-4374 has already deemed these costs reasonable for rate recovery, ORA and SJWC agree to their inclusion in this proceeding.
- 3.31 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Transportation category provides a consistent estimate for future expenses in this category.
- 3.32 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Other category provides a consistent estimate for future expenses in this category.

**L. Other Issues**

- 3.33 SJWC completed the security vulnerability assessment ("VA") required pursuant to the Public Health Security and Bioterrorism Preparedness and Response Act (HR 3448), and certification was provided to the United States Environmental Protection Agency ("USEPA") in March 2003. The completed VA was certified by the USEPA. Following review of additional information provided by SJWC, ORA agrees that SJWC should be allowed to recover \$145,997 in 2004 and \$262,168 in 2005 in operating costs associated with the security enhancements identified and recommended by the VA.

- 3.34 After additional discussion and review of vendor proposals, ORA and SJWC agree that SJWC should be allowed to recover \$17,458 in 2004 and \$17,825 in 2005 for postal verification software licensing, maintenance and subscription fee. This postal sorting software allows SJWC to mail customer statements first class for \$0.278, whereas the standard first class postage rate is \$0.37.

4.0 **ADMINISTRATIVE AND GENERAL EXPENSES**

A. **Payroll**

- 4.1 As discussed above, ORA and SJWC agree to use a Labor escalation of 4% in 2004 and 3.5% in 2005 in accordance with the Utility Workers Union and Operating Engineers Union contract ratified December 18, 2003 and effective January 1, 2004 for administrative labor. SJWC agrees with ORA's recommendation to maintain, for ratemaking purposes, SJWC's ten (10) executive salaries at the 2003 level for Test Years 2004 and 2005.

B. **Office Supplies and Expenses**

- 4.2 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Transportation category provides a consistent estimate for future expenses in this category.

C. **Other**

- 4.3 To forecast Property insurance, ORA and SJWC agree that the recorded data for the period 1997-2003 trended for Test Years 2004 and 2005, as proposed by ORA, provides a consistent estimate for future expenses in this category.
- 4.4 As commonly experienced in the industry and within California, Workmen's Compensation Insurance (WCI), Public Liability Insurance (PLI) and Directors and Officers Insurance (DOI) premiums have escalated dramatically over the last few years. After review of additional invoices for 2003 as well as review of estimates provided by SJWC's insurance broker, ORA and SJWC agree to include \$1,233,500 for 2004 and \$1,367,000 in 2005 for WCI; \$1,261,400 for 2004 and \$1,892,100 in 2005 for PLI; and \$195,791 for 2004 and \$293,687 for 2005 for DOI.

- 4.5 ORA and SJWC agree to use the 1997-2002 average of recorded Uninsured Damages Provision for Test Years 2004 and 2005, as proposed by ORA.
- 4.6 ORA and SJWC agree to \$50,000 for Regulatory Commission Expense for each of the test years, without adjustment for inflation.
- 4.7 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Outside Services Legal category provides a consistent estimate for future expenses in this category.
- 4.8 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Outside Services Other category provides a consistent estimate for future expenses in this category.

In addition to the expense amount derived from ORA's six-year average methodology, ORA and SJWC further agree that SJWC should be allowed to recover \$141,000 in 2004 and \$143,000 in 2005 for expenses related to compliance with the Sarbanes-Oxley Act. In 2002, Congress enacted the Sarbanes-Oxley Act. Among other things, Section 404 of the Act requires companies to establish and certify their internal financial control systems by developing risk assessments and an internal audit plan. Implementation of these internal financial control systems will be followed by internal audit visits, requiring significant Sarbanes-Oxley consultant time. The new requirements established by the Sarbanes-Oxley Act also have increased the audit fees associated with the standard financial auditing required of a publicly traded company.

- 4.9 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Dues Corporate and Employees category provides a consistent estimate for future expenses in this category.
- 4.10 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Corporate Expenses category provides a consistent estimate for future expenses in this category.

- 4.11 ORA and SJWC agree that ORA's methodology of 2002 recorded data escalated for inflation to the test years for the Rent category provides a consistent estimate for future expenses in this category.

**D. Maintenance Expense**

- 4.12 ORA and SJWC agree that ORA's methodology of using a six-year average of recorded data escalated to the test years for the Purchased Services category provides a consistent estimate for future expenses in this category.

**5.0 BALANCING AND MEMORANDUM ACCOUNTS**

**A. Full-Cost Balancing Account for Water Production**

- 5.1 At this time, SJWC withdraws its request for a Full Cost Balancing Account for water production expenses.

**B. Water Quality Memorandum Account**

- 5.2 At this time, SJWC withdraws its request to establish a Water Quality Memorandum Account for anticipated future water quality expenses.

**6.0 PLANT**

- 6.1 To the extent the Parties have agreed to the filing of advice letters to recover the costs of certain capital projects, as set forth below, ORA and SJWC also agree that SJWC will combine its requests for rate recovery to file once in 2004, once in 2005, and once in 2006 so as to file as few advice letters as possible.

**A. Beginning of Year Balance for 2003**

- 6.2 Water Diversion Project – Montevina Treatment Plant. SJWC agrees with ORA's adjustment to the beginning-of-year plant balance for 2003. In its calculation, ORA has excluded \$2,474,000 related to a water diversion project constructed at the Montevina Treatment Plant. The Parties agree that this project is prudent, necessary and in the public interest. SJWC has sought a Safe Drinking Act State Revolving Fund (SRF) loan to finance this project. While this water diversion project at the Montevina Treatment Plant was completed in 2002, SRF financing has not yet been approved or obtained.

ORA and SJWC agree that if the SRF loan is denied, SJWC should be allowed to recover in rates the cost of this water diversion project at the Montevina Treatment Plant through an advice letter filing.

**B. Additions to Plant for 2003**

- 6.3 SJWC and ORA agree that the beginning-of-year plant balance for 2004 shall be based upon the actually completed items in SJWC's 2003 construction budget as measured at December 31, 2003.

- 6.4 Lamella Plate Clarifier System – Montevina Treatment Plant (2003 Project Q-2). In order to reduce solids in filter backwash, meet new backwash recycling regulations and increase capacity to treat high turbidity raw water, SJWC will install a lamella plate clarifier system and associated equipment at the Montevina Treatment Plant. The cost of this project is \$1,524,800, and ORA and SJWC agree that the project is prudent, necessary and in the public interest. SJWC has sought a SRF loan to fund the construction of this project, but such loan has not yet been approved or obtained. SJWC and ORA agree that the cost of the clarifier system should be removed from the 2003 plant balance at this time, since this project may be funded by a SRF loan. Given the present status of the project, ORA and SJWC agree that if the project funding is denied by SRF, SJWC should be allowed to recover in rates the \$1,524,800 cost of this clarifier system project at the Montevina Treatment Plant when completed, through an advice letter filed no later than January 31, 2005.

**C. Additions to Plant for the Test Years**

- 6.5 Equipment Replacement - Saratoga Filter Plant (2004 Project S-2). In order to replace deteriorated equipment that is beyond economic repair, SJWC will replace a failing intake structure, strainers and a balloon dam at the Saratoga Filter Plant. The cost of the project is \$3,265,200. ORA and SJWC agree that this project is prudent, necessary and in the public interest. Given the present status of the project, in particular the uncertain nature of the timing of the project, ORA and SJWC agree that SJWC should be allowed to recover in rates the \$3,265,200 cost of this replacement project at the Saratoga Filter Plant when completed, through an advice letter filed no later than January 31, 2005. If

there is a significant delay in completing the environmental regulatory process due to the California Department of Fish and Game, SJWC will be allowed to file the advice letter no later than January 2006.

- 6.6 Pump Station - Lexington Reservoir (2004 Project S-3, 2005 Project S-3). In order to utilize water from the Lexington Reservoir, SJWC will design and construct a 20 million gallons per day variable speed raw water pump station to feed the Montevina Treatment Plant. The cost of the design phase of the project, scheduled for 2004, is \$250,000. The cost of the construction phase of the project, scheduled for 2005, is \$1,850,000. ORA and SJWC agree that this water supply project at the Lexington Reservoir is prudent, necessary and in the public interest. Given the present status of the project, in particular the uncertain nature of the timing of the project, ORA and SJWC agree that SJWC should be allowed to recover in rates the \$250,000 design cost of this pump station when completed, through an advice letter filed no later than January 31, 2005, and recover in rates the \$1,850,000 construction cost of the pump station when completed, through an advice letter filed no later than January 31, 2006.
- 6.7 Coating and Seismic Retrofit – Montevina Reservoir #2 (2004 Project R-7). The Montevina Reservoir is the primary storage for both domestic and fire protection water for the Town of Los Gatos and the surrounding areas. Following evaluation of the Reservoir, SJWC's consultant recommended the installation of certain structural modifications to the tank as a seismic retrofit, as well as the complete replacement of the interior lining and exterior coating of the Reservoir. Following ORA's review of additional documentation on this project provided by SJWC, ORA and SJWC agree that this project is prudent, necessary and in the public interest. Given the present status of the project, ORA and SJWC agree that SJWC should be allowed to recover in rates the \$1,339,000 cost of the recoating and seismic retrofitting of the Montevina Reservoir when completed, through an advice letter filed no later than January 31, 2005.
- 6.8 Flow Meters – SCVWD Turnouts (2004 Project S-4, 2005 Project S-4). SJWC agrees with ORA's recommendation to eliminate the request for \$439,600 in 2004 and \$401,000

in 2005 for the installation of flow meters at the Santa Clara Valley Water District water turnouts.

- 6.9 Facility Retirements (2004 Project A-90, 2005 Project A-85). SJWC provided additional historical documentation supporting its request for the cost of removal when utility plant is retired. Following ORA's review of this additional documentation, ORA agrees that SJWC's estimates of \$1,051,000 for 2004 and \$1,080,000 for 2005 are reasonable.
- 6.10 City, County & State Improvement Projects (2004 Project C-38, 2005 Project C-37). To provide for unknown improvement projects that may be requested by the City, County or State, SJWC estimated \$350,000 in costs to be included in both test years. ORA analyzed five years of recorded expenditures for unanticipated projects requested by public agencies, and based on that analysis recommends an allowance of \$275,000 for both test years. Following discussion with ORA, SJWC agrees with ORA's estimate of the allowance for unanticipated projects of \$275,000 for each of the test years 2004 and 2005.
- 6.11 Replacement Mains, Services and Meters (2004 Projects M, B, D, and 2005 Projects M, B, D). SJWC requests in total \$15,926,800 for test year 2004 and \$17,126,900 for test year 2005 to be spent replacing mains, services and meters throughout its service territory. ORA analyzed five years of recorded expenditures and recommended a lower allowance for replacing mains, services and meters. SJWC provided ORA with additional historical information to support SJWC's 2004 and 2005 construction budget requests in these three categories. In addition, SJWC provided ORA with a 2003 update to its 1997 Phase I Infrastructure Study, which analyzed the status of its over 2,300 miles of transmission and distribution mains. The results of that analysis indicated that, in order to maintain the highest degree of customer service while minimizing the impact to rates, SJWC should gradually increase the pace of its pipeline replacement program. Therefore, ORA and SJWC agree that a six-year average (1997-2002) of historical Replacement Main costs is a reasonable estimate for 2004, which is then escalated to derive the cost estimate for 2005. The revised forecast results in \$12,830,330 in 2004 and \$13,382,035 in 2005 for Replacement Mains. ORA further agrees that SJWC's



estimates for Services and Meters are reasonable, and the Parties agree to \$1,945,800 in 2004 and \$2,003,800 in 2005 for Services, and \$577,200 in 2004 and \$648,900 in 2005 for Meters.

- 6.12 Pipeline Replacement to Montevina Treatment Plant (2004 Project M-60, 2005 Project M-50). SJWC proposes in this project to replace a portion of the existing 30-inch steel pipeline installed in the early 1950s to carry raw water collected from various mountain intakes to the Montevina Treatment Plant. The pipeline has experienced many failures in recent years. There have been two catastrophic failures since 1997, resulting in a major loss in supply and reliability while major repairs were made. Replacement of the pipeline is an integral part of an ongoing infrastructure replacement program that protects a vital water resource and the \$24 million dollars recently invested in the water collection, treatment and distribution assets on the Montevina system. SJWC provided ORA with additional information justifying the request to replace certain portions of this pipeline to Montevina Treatment Plant, and ORA and SJWC agree that the project is prudent, necessary and in the public interest. ORA and SJWC agree that SJWC should be allowed to recover in rates the \$149,600 preliminary design and permitting cost of this pipeline replacement when completed, through an advice letter filed no later than January 31, 2005, and recover in rates the \$2,501,300 design and beginning construction cost of the project when completed, through an advice letter filed no later than January 31, 2006.
- 6.13 Filtration Membranes – Saratoga Filter Plant (2005 Project Q-6). SJWC seeks to replace membranes at the Saratoga Filter Plant because the existing membranes have reached the end of their useful life. Following discussion, ORA and SJWC agree that this project is prudent, necessary and in the public interest. ORA and SJWC further agree to delay the replacement of the filtration membranes at Saratoga Filter Plant for one year, from 2005 to 2006. Accordingly, the cost of this capital project is not covered in the revenue increases agreed to in this Settlement.

- 6.14 Interior Lining – Dow Tank #2 (2005 Project R-13). SJWC seeks to replace the interior lining for Dow Tank # 2 because the existing lining is beyond economic repair. Dow Tank #2, which holds 15 million gallons of water, provides about one-half of the domestic and fire protection storage for a portion of the largest zone in SJWC's service territory. The existing coal tar lining of Dow Tank #2 is over 33 years old, which is beyond its useful life. SJWC provided ORA with additional information justifying the request to replace the interior lining of the tank, and ORA and SJWC agree that the project is prudent, necessary and in the public interest. ORA and SJWC agree that SJWC should be allowed to recover in rates the cost of this project when completed, capped at \$2,194,900, through an advice letter filed no later than January 31, 2006.
- 6.15 Dutard Reservoir Roof (2005 Project R-8). SJWC seeks to replace the roof at the Dutard Reservoir in 2005, since the existing roof is beyond economic repair. The galvanized sheet metal roof and wooden roof support structures are 46 years old, and are deteriorating. SJWC provided ORA with additional information justifying the request to replace the roof, and ORA and SJWC agree that the project is prudent, necessary and in the public interest. ORA and SJWC agree that SJWC should be allowed to recover in rates the cost of this project when completed, capped at \$550,000, through an advice letter filed no later than January 31, 2006.
- 6.16 Ammonia System – Montevina Treatment Plant (2005 Project Q-5). SJWC seeks to install an aqua ammonia system at the Plant in 2005 to convert the residual disinfectant from free chlorine to chloramines to comply with anticipated disinfection byproduct regulations. In August 2003, US EPA issued a proposed Stage 2 Disinfection By-products Rule (Stage 2 DBPR), which is expected to be final in July 2004. SJWC will be required to comply with maximum contaminant levels for Total Trihalomethanes (TTHMs) and five Haloacetic Acids (HAA5) at specific locations in the distribution system that are most likely to have the highest levels of TTHM and HAA5. Given the present uncertainty over the timing and content of a final regulation, SJWC and ORA agreed to withdraw this project from this proceeding. ORA and SJWC agree that SJWC should be allowed to file an application for rate recovery of such capital improvements at the Montevina Treatment Plant at a later date.

**7.0 DEPRECIATION**

- 7.1 ORA and SJWC agree that SJWC will continue to follow the Commission's Standard Practice U-4 to calculate straight-line remaining life depreciation. SJWC withdraws its request to convert to a computerized straight-line depreciation methodology.

**8.0 RATE BASE**

- 8.1 ORA and SJWC agree that rate base should be based upon the changes to plant identified in Section 6 of this Settlement.

**9.0 DESIGN OF RATES**

**A. Rate Assistance for Low-Income Customers**

- 9.1 ORA and SJWC agree to implement SJWC's Water Rate Assistance Program (WRAP) for low-income customers, with the following modifications: (1) rather than a \$5 discount as proposed by SJWC, SJWC will offer a 15% discount on the total bill for the customers eligible for the program; (2) as proposed by ORA, SJWC will extend program eligibility to customers behind master-meters, similar to the program currently offered by Southern California Water Company; (3) SJWC will extend eligibility to customers who may not have qualified for PG&E's CARE program because they do not have PG&E service in their own name but who are otherwise eligible, as established through income verification; (4) SJWC will maintain a WRAP balancing account to which all revenue and expenses associated with the program will be booked for later recovery or refund; and (5) SJWC will implement the program via an advice letter filing.

**B. Resale Service**

- 9.2 The Parties agree to eliminate the existing discount for Resale Service Schedule No. 6, since this rate differential has not been substantiated by any study showing lower cost of service. Resale Service Schedule No. 6 will be eliminated, withdrawn and cancelled, and those customers currently served by this Schedule will be automatically transferred to Schedule No. 1.

**C. Private Fire Service**

- 9.3 During the rate case review, SJWC prepared a cost study for “Private Fire Service, Schedule No. 4.” That study showed that the current Private Fire Service rates are 30.72% below the cost of service. Therefore, ORA and SJWC agree that for test years 2004 and 2005, the Private Fire Service rates should be increased by 30.72%, plus the amount of the system-wide increases that the Commission authorizes for the test years in this proceeding.

**D. Residential Fire Sprinkler Service**

- 9.4 ORA and SJWC agree that “Residential Fire Sprinkler Service, Schedule No. 1B” rates should be increased in 2004 and 2005 by the amount of the system-wide increases that the Commission authorizes for the test years in this proceeding.

**10.0 ATTRITION**

- 10.1 ORA and SJWC agree that the estimates for Attrition Year 2006 should be based on the changes presented above.

**11.0 RETURN ON EQUITY**

- 11.1 Following extensive discussions, ORA and SJWC agree that the Return on Equity (ROE) authorized for SJWC should be 9.90% for both test years 2004 and 2005. An ROE of 9.90% is within the range of ROEs currently authorized by the Commission for California Class-A water utilities.

**12.0 MISCELLANEOUS PROVISIONS**

- 12.1 The signatories to this Joint Settlement personally and independently verify that all elements, including the attached tables are correct, complete, and internally consistent, to the best of their knowledge and ability.
- 12.2 Entering into this Settlement or approval of this Settlement by the Commission shall not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

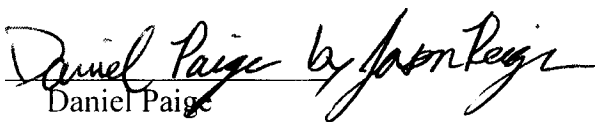
- 12.3 The Commission shall have jurisdiction over this Settlement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual signatory representing the interests of any of the Parties, or any attorney representing the Parties involving any matter related to this Settlement.
- 12.4 The Parties acknowledge that the positions expressed in this Settlement were reached after consideration of all positions advanced in testimony as well as during settlement negotiations. This Settlement embodies compromises of the Parties' positions. This Settlement sets forth the entire understanding and agreement as between the Parties, and this Settlement may not be modified or terminated except through written assent by all Parties.
- 12.5 Each individual executing this Settlement on behalf of any entity hereby warrants that he or she is authorized to execute this Settlement on behalf of said entity. The Parties agree that neither signatory to this Settlement, nor any member of ORA or SJWC, assumes any personal liability as a result of this Settlement.

Dated: January 22, 2004

OFFICE OF RATEPAYER  
ADVOCATES

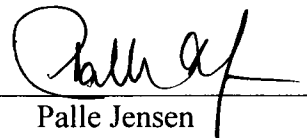
SAN JOSE WATER  
COMPANY

By:

  
Daniel Paige

Project Manager  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

By:

  
Palle Jensen

Director, Regulatory Affairs  
San Jose Water Company.  
374 W. Santa Clara Street  
San Jose, CA 95113

SF1536478.1

**SAN JOSE WATER COMPANY**

**RECONCILIATION EXHIBIT  
TEST YEAR 2004  
(Thousands of Dollars)**

**SUMMARY OF EARNING:**

	Original	SJWC Change	Stipulation	Difference	ORA Stipulation	Change	Original
<b>AT PRESENT RATES</b>							
<b>Operating Revenue</b>	\$147,231.2	\$0.0	\$147,231.2		\$147,231.2	\$1.0	\$147,230.2
<b>Operating Expenses</b>							
Operations & Maintenance Expenses							
Purchased Water	\$31,336.0	(\$417.0)	\$30,919.0	\$0.0	\$30,919.0	\$0.0	\$30,919.0
Pump Taxes	\$30,429.0	(\$2,176.0)	\$28,253.0	\$0.0	\$28,253.0	\$0.0	\$28,253.0
Purchased Power	\$8,350.6	(\$242.6)	\$8,108.0	\$0.0	\$8,108.0	\$6.0	\$8,102.0
Labor O&M	\$14,140.0	(\$81.0)	\$14,059.0	\$0.0	\$14,059.0	\$474.0	\$13,585.0
Transp O&M	\$1,894.0	(\$652.0)	\$1,242.0	\$0.0	\$1,242.0	\$0.0	\$1,242.0
Other O&M	\$690.1	(\$499.1)	\$191.0	\$0.0	\$191.0	\$22.0	\$169.0
Purch. Serv O&M	\$5,282.0	(\$379.0)	\$4,903.0	\$0.0	\$4,903.0	\$600.0	\$4,303.0
Chemicals	\$394.0	(\$200.0)	\$194.0	\$0.0	\$194.0	\$0.0	\$194.0
WQ Reg. Costs	\$32.0	\$0.0	\$32.0	\$0.0	\$32.0	\$0.0	\$32.0
Uncollectibles	\$419.0	(\$158.0)	\$261.0	\$0.0	\$261.0	\$18.0	\$243.0
Conservation	\$154.0	(\$115.0)	\$39.0	\$0.0	\$39.0	\$0.0	\$39.0
Postage	\$577.0	(\$48.0)	\$529.0	\$0.0	\$529.0	\$0.0	\$529.0
Non-Reg Bus. Adj	(\$288.0)	\$0.0	(\$288.0)	\$0.0	(\$288.0)	\$0.0	(\$288.0)
Administrative & General							
Labor A&G	\$3,585.0	(\$20.0)	\$3,565.0	\$0.0	\$3,565.0	\$148.0	\$3,417.0
Other Supplies	\$1,021.4	(\$19.4)	\$1,002.0	\$0.0	\$1,002.0	\$0.0	\$1,002.0
Insurance	\$3,079.7	(\$110.7)	\$2,969.0	\$0.0	\$2,969.0	\$875.0	\$2,094.0
Pensions & Benfits	\$7,578.0	\$0.0	\$7,578.0	\$0.0	\$7,578.0	\$0.0	\$7,578.0
Regulatory Exp	\$51.0	(\$1.0)	\$50.0	\$0.0	\$50.0	\$0.0	\$50.0
Outside Serv - Legal	\$196.0	(\$64.0)	\$132.0	\$0.0	\$132.0	\$0.0	\$132.0
Outside Serv - Other	\$942.0	(\$299.0)	\$643.0	\$0.0	\$643.0	\$141.0	\$502.0
Dues	\$230.7	(\$47.7)	\$183.0	\$0.0	\$183.0	\$0.0	\$183.0
Rent	\$454.3	(\$6.3)	\$448.0	\$0.0	\$448.0	\$0.0	\$448.0
Corporate Expense	\$406.9	(\$120.9)	\$286.0	\$0.0	\$286.0	\$0.0	\$286.0
Maintenance Exp	\$352.1	(\$9.1)	\$343.0	\$0.0	\$343.0	(\$3.0)	\$346.0
Allocated Transfer	(\$2,975.2)	\$0.2	(\$2,975.0)	\$0.0	(\$2,975.0)	\$0.0	(\$2,975.0)
Depreciation & Amortization	\$18,465.5	(\$163.9)	\$18,301.6	\$0.0	\$18,301.6	\$450.1	\$17,851.5
Taxes Other Than Income	\$4,873.0	(\$148.5)	\$4,724.5	\$0.0	\$4,724.5	\$61.9	\$4,662.6
Income Taxes	\$3,766.1	\$2,485.6	\$6,251.7	\$0.0	\$6,251.7	(\$448.7)	\$6,700.4
<b>Total Operating Expenses</b>	<b>\$135,436.2</b>	<b>(\$3,492.4)</b>	<b>\$131,943.8</b>	<b>\$0.0</b>	<b>\$131,943.8</b>	<b>\$2,344.3</b>	<b>\$129,599.5</b>
<b>Net Operating Revenue</b>	<b>\$11,795.0</b>	<b>\$3,492.4</b>	<b>\$15,287.4</b>	<b>\$0.0</b>	<b>\$15,287.4</b>	<b>(\$2,343.3)</b>	<b>\$17,630.7</b>
<b>Rate Base</b>	<b>\$256,531.2</b>	<b>(\$7,449.5)</b>	<b>\$249,081.7</b>	<b>\$0.0</b>	<b>\$249,081.7</b>	<b>\$11,506.1</b>	<b>\$237,575.6</b>
<b>Return on Rate Base</b>	<b>4.60%</b>	<b>1.54%</b>	<b>6.14%</b>		<b>6.14%</b>	<b>-1.28%</b>	<b>7.42%</b>
<b>AT PROPOSED RATES</b>							
<b>Operating Revenue</b>	\$170,273.2	(\$11,269.0)	\$159,004.2		\$159,004.2	(\$11,268.7)	\$170,272.9
Uncollectibles	\$484.0	(\$203.0)	\$281.0		\$281.0	(\$0.3)	\$281.3
Taxes Other Than Inco	\$4,935.3	(\$155.1)	\$4,780.2		\$4,780.2	\$61.9	\$4,718.3
Income Taxes	\$13,533.0	(\$2,337.2)	\$11,195.8		\$11,195.8	(\$5,335.9)	\$16,531.7
<b>Total Expenses After</b>	<b>\$145,265.4</b>	<b>(\$8,321.8)</b>	<b>\$136,943.6</b>		<b>\$136,943.6</b>	<b>(\$2,581.0)</b>	<b>\$139,524.6</b>
<b>Net Operating Rev</b>	<b>\$25,007.8</b>	<b>(\$2,947.2)</b>	<b>\$22,060.6</b>		<b>\$22,060.6</b>	<b>(\$8,687.7)</b>	<b>\$30,748.3</b>
<b>Rate Base</b>	<b>\$256,531.2</b>	<b>(\$7,449.5)</b>	<b>\$249,081.7</b>		<b>\$249,081.7</b>	<b>\$11,506.1</b>	<b>\$237,575.6</b>
<b>Return on Rate Base</b>	<b>9.75%</b>	<b>-0.89%</b>	<b>8.86%</b>		<b>8.86%</b>	<b>-4.09%</b>	<b>12.94%</b>

**SAN JOSE WATER COMPANY**

**RECONCILIATION EXHIBIT  
TEST YEAR 2005  
(Thousands of Dollars)**

**SUMMARY OF EARNING:**

	Original	SJWC Change	Stipulation	Difference	Stipulation	ORA Change	Original
<b>AT PRESENT RATES</b>							
<b>Operating Revenue</b>	\$147,570.2	\$0.0	\$147,570.2		\$147,570.2	(\$23,063.9)	\$170,634.1
<b>Operating Expenses</b>							
Operations & Maintenance Expenses							
Purchased Water	\$34,090.0	(\$2,816.0)	\$31,274.0	\$0.00	\$31,274.0	\$0.0	\$31,274.0
Pump Taxes	\$32,267.0	(\$4,071.0)	\$28,196.0	\$0.00	\$28,196.0	\$0.0	\$28,196.0
Purchased Power	\$8,289.8	(\$180.8)	\$8,109.0	\$0.00	\$8,109.0	\$0.0	\$8,109.0
Labor O&M	\$14,930.0	(\$148.0)	\$14,782.0	\$0.00	\$14,782.0	\$902.3	\$13,879.7
Transp O&M	\$2,339.0	(\$1,073.0)	\$1,266.0	\$0.00	\$1,266.0	\$0.0	\$1,266.0
Other O&M	\$708.5	(\$511.5)	\$197.0	\$0.00	\$197.0	\$25.0	\$172.0
Purch. Ser O&M	\$5,415.0	(\$289.0)	\$5,126.0	\$0.00	\$5,126.0	\$731.0	\$4,395.0
Chemicals	\$400.0	(\$202.0)	\$198.0	\$0.00	\$198.0	\$0.0	\$198.0
WQ Reg. Costs	\$32.0	\$0.0	\$32.0	\$0.00	\$32.0	\$0.0	\$32.0
Uncollectibles	\$420.0	(\$159.0)	\$261.0	\$0.00	\$261.0	(\$37.0)	\$298.0
Conservation	\$158.0	(\$118.0)	\$40.0	\$0.00	\$40.0	\$0.0	\$40.0
Postage	\$631.0	(\$100.0)	\$531.0	\$0.00	\$531.0	\$0.0	\$531.0
Non-Reg Bus. Adj	(\$288.0)	\$0.0	(\$288.0)	\$0.00	(\$288.0)	\$0.0	(\$288.0)
<b>Administrative &amp; General</b>							
Labor A&G	\$3,786.0	(\$37.0)	\$3,749.0	\$0.00	\$3,749.0	\$230.0	\$3,519.0
Other Supplies	\$1,061.0	(\$43.0)	\$1,018.0	\$0.00	\$1,018.0	\$0.0	\$1,018.0
Insurance	\$3,962.0	(\$123.0)	\$3,839.0	\$0.00	\$3,839.0	\$1,558.0	\$2,281.0
Pensions & Benfits	\$8,142.0	(\$1.3)	\$8,140.7	\$0.00	\$8,140.7	(\$1.3)	\$8,142.0
Regulatory Exp	\$52.0	(\$2.0)	\$50.0	\$0.00	\$50.0	\$0.0	\$50.0
Outside Serv - Legal	\$201.0	(\$66.0)	\$135.0	\$0.00	\$135.0	\$0.0	\$135.0
Outside Serv - Other	\$968.0	(\$311.0)	\$657.0	\$0.00	\$657.0	\$144.0	\$513.0
Dues	\$231.0	(\$53.0)	\$178.0	\$0.00	\$178.0	\$0.0	\$178.0
Rent	\$466.0	(\$9.0)	\$457.0	\$0.00	\$457.0	\$0.0	\$457.0
Corporate Expense	\$418.0	(\$125.0)	\$293.0	\$0.00	\$293.0	\$0.0	\$293.0
Maintenance Exp	\$361.0	(\$9.0)	\$352.0	\$0.00	\$352.0	\$2.0	\$350.0
Allocated Transfer	(\$3,188.0)	\$13.0	(\$3,175.0)	\$0.00	(\$3,175.0)	\$13.0	(\$3,188.0)
Depreciation & Amortization	\$19,628.7	(\$326.8)	\$19,301.9	\$0.00	\$19,301.9	\$692.6	\$18,609.3
Taxes Other Than Income	\$5,103.7	(\$234.3)	\$4,869.4	\$0.00	\$4,869.4	\$96.8	\$4,772.6
Federal Income Tax	\$197.6	\$4,590.1	\$4,787.7	\$0.00	\$4,787.7	(\$10,726.5)	\$15,514.2
<b>Total Operating Expenses</b>	<b>\$140,782.30</b>	<b>(\$6,405.6)</b>	<b>\$134,376.70</b>	<b>\$0.00</b>	<b>\$134,376.70</b>	<b>(\$6,370.10)</b>	<b>\$140,746.80</b>
<b>Net Operating Revenue</b>	<b>\$6,787.9</b>	<b>\$6,405.6</b>	<b>\$13,193.5</b>	<b>\$0.0</b>	<b>\$13,193.5</b>	<b>(\$16,693.8)</b>	<b>\$29,887.3</b>
<b>Rate Base</b>	<b>\$270,185.7</b>	<b>(\$14,665.1)</b>	<b>\$255,520.6</b>	<b>\$0.0</b>	<b>\$255,520.6</b>	<b>\$18,297.4</b>	<b>\$237,223.2</b>
<b>Return on Rate Base</b>	<b>2.51%</b>	<b>2.65%</b>	<b>5.16%</b>		<b>5.16%</b>	<b>-7.44%</b>	<b>12.60%</b>
<b>AT PROPOSED RATES</b>							
<b>Operating Revenue</b>	\$180,631.2	(\$17,023.0)	\$163,608.2		\$163,608.2	(\$17,021.8)	\$180,630.0
Uncollectibles	\$513.0	(\$225.0)	\$288.0		\$288.0	(\$10.4)	\$298.4
Taxes Other Than Inco	\$5,193.1	(\$247.0)	\$4,946.1		\$4,946.1	\$173.5	\$4,772.6
Income Taxes	\$13,627.2	(\$2,317.0)	\$11,310.2		\$11,310.2	(\$8,498.2)	\$19,808.4
<b>Total Expenses After</b>	<b>\$154,301.3</b>	<b>(\$13,325.4)</b>	<b>\$140,975.9</b>		<b>\$140,975.9</b>	<b>(\$4,065.2)</b>	<b>\$145,041.1</b>
<b>Net Operating Rev</b>	<b>\$26,329.9</b>	<b>(\$3,697.6)</b>	<b>\$22,632.3</b>		<b>\$22,632.3</b>	<b>(\$12,956.6)</b>	<b>\$35,588.9</b>
<b>Rate Base</b>	<b>\$270,185.7</b>	<b>(\$14,665.1)</b>	<b>\$255,520.6</b>		<b>\$255,520.6</b>	<b>\$18,297.4</b>	<b>\$237,223.2</b>
<b>Return on Rate Base</b>	<b>9.75%</b>	<b>-0.89%</b>	<b>8.86%</b>		<b>8.86%</b>	<b>-6.14%</b>	<b>15.00%</b>

TABLE 14-B

## SAN JOSE WATER COMPANY (U-168-W)

**SUMMARY OF EARNINGS AND RATES OF RETURNS**  
**ESTIMATED AT PRESENT AND PROPOSED RATES**  
**(2003 - 2005)**

(Thousands of Dollars)

	Present Rates			Proposed Rates		
	2003	2004	2005	2003	2004	2005
<b>Operating Revenue (Table 7E)</b>	\$146,907.1	\$147,231.2	\$147,570.2	\$146,907.1	\$159,004.2	\$163,608.2
<b>Operating Expense</b>						
Purchased Water (Table 8B)	\$28,864.0	\$30,919.0	\$31,274.0	\$28,864.0	\$30,919.0	\$31,274.0
Purchased Power (Table 8B)	\$8,166.8	\$8,108.0	\$8,109.0	\$8,166.8	\$8,108.0	\$8,109.0
Pump Taxes (Table 8B)	\$27,067.0	\$28,253.0	\$28,196.0	\$27,067.0	\$28,253.0	\$28,196.0
Other Operating Expenses	\$6,945.4	\$7,416.6	\$7,776.8	\$6,945.4	\$7,416.6	\$7,776.8
Sub-Total	\$71,043.2	\$74,696.6	\$75,355.8	\$71,043.2	\$74,696.6	\$75,355.8
Customer Account Expense	\$4,407.6	\$4,602.0	\$4,809.1	\$4,407.6	\$4,602.0	\$4,809.1
Administrative & General Expense	\$12,945.0	\$14,231.8	\$15,694.7	\$12,945.0	\$14,231.8	\$15,694.7
Maintenance Expense	\$8,427.0	\$9,135.5	\$9,558.2	\$8,427.0	\$9,135.5	\$9,558.2
Total O & M Expense	\$96,822.9	\$102,666.0	\$105,417.7	\$96,822.9	\$102,666.0	\$105,417.7
Taxes, Other than Income						
Based on Income	\$4,609.5	\$4,724.5	\$4,869.4	\$4,609.5	\$4,780.2	\$4,946.1
Depreciation & Amortization	\$14,909.0	\$18,301.6	\$19,301.9	\$14,909.0	\$18,301.6	\$19,301.9
Total, Excluding Taxes						
Based on Income	\$116,341.4	\$125,692.1	\$129,589.0	\$116,341.4	\$125,747.8	\$129,665.7
<b>Net Operating Revenue</b>						
Before Taxes, Based on Income	\$30,565.7	\$21,539.1	\$17,981.2	\$30,565.7	\$33,256.4	\$33,942.5
Taxes, Based on Income	\$9,420.6	\$6,251.7	\$4,787.7	\$9,420.6	\$11,195.8	\$11,310.2
After Taxes, Based on Income	\$21,145.1	\$15,287.4	\$13,193.5	\$21,145.1	\$22,060.6	\$22,632.3
Weighted Average Rate Base	\$241,059.3	\$249,081.7	\$255,520.6	\$241,059.3	\$249,081.7	\$255,520.6
Rate of Return %	8.77%	6.14%	5.16%	8.77%	8.86%	8.86%
Change from Previous Year		-2.63%	-0.98%		0.09%	0.00%



## SAN JOSE WATER COMPANY

## ESTIMATE OF DEPRECIATION (2004 - 2005)

(Thousands of Dollars)

	----- Projected -----	
	<u>2004</u>	<u>2005</u>
Depreciable Capital, January 1	\$555,321.0	\$585,843.0
Net Depreciation Expense	\$20,769.4	\$21,910.5
Composite Depreciation Rate	3.74%	3.74%
<b><u>Itemized Depreciation</u></b>		
Depreciation Expense	\$18,020.3	\$19,020.6
CIAC	\$1,943.1	\$2,049.8
Transportation Depreciation Included Above	\$541.0	\$575.1
Geographic Information System (GIS)	\$265.0	\$265.0
Net Depreciation Expense	<u>\$20,769.4</u>	<u>\$21,910.5</u>

SAN JOSE WATER COMPANY  
(U-168-W)

WEIGHTED AVERAGE RATE BASE

(Thousands of Dollars)

Description	1997	1998	1999	2000	2001	2002	Projected		
							2003	2004	2005
Utility Plant	\$352,765.2	\$380,183.7	\$410,928.2	\$443,811.0	\$478,077.0	\$518,349.0	\$548,376.4	\$579,924.5	\$610,890.9
Adjustments to Plant	(from WP 11-1)	(from WP 13-4)	(from WP 13-20)	(from WP 13-21)	(from WP 13-11)	(from WP 13-12)	(from WP 13-17)		
Working Capital	\$69,905.0	\$76,045.6	\$82,253.7	\$90,236.0	\$102,340.4	\$117,740.8	\$124,622.3	\$129,916.7	\$134,706.3
Tax Deferrals	\$3,181.8	\$3,054.6	\$2,978.3	\$2,991.4	\$6,728.7	\$6,806.6	\$6,630.4	\$6,980.8	\$7,047.7
Rate Base, Taxed Contributions	\$20,146.5	\$21,698.9	\$23,155.9	\$24,335.6	\$25,079.4	\$26,106.6	\$28,762.2	\$32,030.7	\$34,175.4
Rate Base, Taxed Advances	\$3,181.4	\$3,548.9	\$3,988.2	\$4,280.9	\$4,376.1	\$4,482.8	\$4,594.9	\$4,585.3	\$4,556.9
Deferred Tax on Sale of Property	\$3,045.3	\$2,950.5	\$2,931.1	\$2,934.1	\$2,868.9	\$2,818.7	\$2,877.2	\$2,904.4	\$2,917.7
	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)	(\$412.9)
Undepreciated Rate Base	\$271,628.3	\$291,580.3	\$315,003.3	\$339,032.9	\$364,218.0	\$388,196.8	\$408,681.5	\$432,034.7	\$456,118.6
Depreciation Reserve	\$111,405.5	\$119,331.7	\$127,807.9	\$133,996.0	\$144,071.0	\$153,951.0	\$167,745.8	\$182,953.0	\$200,598.0
Depreciated Rate Base	\$160,222.8	\$172,248.6	\$187,195.4	\$205,036.9	\$220,147.0	\$234,245.8	\$240,935.7	\$249,081.7	\$255,520.6
Depreciated Rate Base Per Customer (Dollars)	\$773	\$829	\$895	\$974	\$1,040	\$1,106	\$1,135	\$1,170	\$1,198

**SAN JOSE WATER COMPANY**  
(U-168-W)

**REQUESTED RATE OF RETURN**  
(2003 - 2005)

	<b>Capital Ratio (from WP 14-9)</b>	<b>Effective Rate % (from WP 14-3)</b>	<b>Rate of Return</b>
<b>2002</b>			
Long-term Debt	44.65%	7.90%	3.53%
Common Equity	55.35%	9.95%	5.51%
	100.00%		9.04%
<b>2003</b>			
Long-term Debt	47.52%	7.81%	3.71%
Common Equity	52.48%	11.50%	6.04%
	100.00%		9.75%
<b>2004</b>			
Long-term Debt	47.77%	7.73%	3.69%
Common Equity	52.23%	9.90%	5.17%
	100.00%		8.86%
<b>2005</b>			
Long-term Debt	47.58%	7.72%	3.67%
Common Equity	52.42%	9.90%	5.19%
	100.00%		8.86%

(End of Appendix A)

**APPENDIX B****Page 1 of 1****San Jose Water Company  
Adopted Rates**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>SCHEDULE No. 1, Service Charges:</b>			
For 5/8 x 3/4-inch meter	11.33	11.90	11.90
For 3/4-inch meter	11.33	11.90	11.90
For 1-inch meter	18.89	19.84	19.84
For 1 1/2-inch meter	37.78	39.67	39.67
For 2-inch meter	60.44	63.48	63.48
For 3-inch meter	113.33	119.02	119.02
For 4-inch meter	188.89	198.37	198.37
For 6-inch meter	377.77	396.74	396.74
For 8-inch meter	604.44	634.78	634.78
For 10-inch meter	868.88	912.50	912.50
<b>SCHEDULE No. 1B Service Charges:</b>			
For 5/8 x 3/4-inch meter	11.33	11.90	11.90
For 3/4-inch meter	11.33	11.90	11.90
For 1-inch meter	18.89	19.84	19.84
For 1 1/2-inch meter	37.78	39.67	39.67
For 2-inch meter	60.44	63.48	63.48
<b>Upsize Charge:</b>			
For 1/4-inch meter upsize	1.35	1.39	1.39
For 1/2-inch meter upsize	2.70	2.77	2.77
For 3/4-inch meter upsize	4.05	4.16	4.16
For 1-inch meter upsize	5.40	5.55	5.55
<b>Quantity Rates:</b>			
For all water delivered, per 100 cu. Ft.	1.8849	1.9201	1.9883
<b>SCHEDULE No. 4</b>			
For each 2-inch service	16.87	17.29	17.29
For each 3-inch service	25.31	25.94	25.94
For each 4-inch service	33.74	34.58	34.58
For each 6-inch service	50.62	51.88	51.88
For each 8-inch service	67.49	69.17	69.17
For each 10-inch service	84.36	86.46	86.46
For each 12-inch service	101.23	103.75	103.75

**(End of Appendix B)**

**APPENDIX C****Page 1 of 3****SAN JOSE WATER COMPANY****ADOPTED SUMMARY OF EARNINGS****(Thousands of Dollars)**

	<b>Present Rates</b>		<b>Proposed Rates</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b><u>Operating Revenue</u></b>	\$147,231.2	\$147,570.2	\$159,004.2	\$163,608.2
<b><u>Operating Expenses</u></b>				
Operations & Maintenance	\$20,893.1	\$21,883.1	\$20,873.1	\$21,856.1
Purchased Water	\$30,919.0	\$31,274.0	\$30,919.0	\$31,274.0
Pump Taxes	\$28,253.0	\$28,196.0	\$28,253.0	\$28,196.0
Purchased Power	\$8,102.0	\$8,109.0	\$8,102.0	\$8,109.0
Uncollectibles	\$261.0	\$261.0	\$281.0	\$288.0
Administrative & General	\$14,231.8	\$15,694.7	\$14,231.8	\$15,694.7
Depreciation & Amortization	\$18,301.6	\$19,301.9	\$18,301.6	\$19,301.9
Taxes Other Than Income	\$4,724.5	\$4,869.4	\$4,780.2	\$4,946.1
State Corporation Franchise Tax	\$1,279.3	\$950.0	\$2,315.3	\$2,361.6
Federal Income Tax	\$4,972.4	\$3,837.7	\$8,880.5	\$8,948.6
Total Operating Expenses	\$131,937.7	\$134,376.8	\$136,937.5	\$140,976.0
<b><u>Net Operating Revenue</u></b>	<b>\$15,293.5</b>	<b>\$13,193.4</b>	<b>\$22,066.7</b>	<b>\$22,632.2</b>
<b>Rate Base</b>	<b>\$249,081.7</b>	<b>\$255,520.6</b>	<b>\$249,081.7</b>	<b>\$255,520.6</b>
<b>Return on Rate Base</b>	<b>6.14%</b>	<b>5.16%</b>	<b>8.86%</b>	<b>8.86%</b>

**APPENDIX C****Page 2 of 3****SAN JOSE WATER COMPANY****RATE BASE  
(Thousands of Dollars)**

	<b><u>2004</u></b>	<b><u>2005</u></b>
<b><u>Item</u></b>		
Utility Plant	\$579,924.4	\$610,890.9
Materials & Supplies	\$439.0	\$439.0
Working Cash	\$6,541.8	\$6,608.7
Depreciation Reserve	(\$182,953.0)	(\$200,598.0)
Advances	(\$69,776.2)	(\$72,262.0)
Contributions	(\$59,865.4)	(\$62,152.9)
Reserve for Amortization	(\$275.1)	(\$291.4)
Deferred Taxes	(\$32,030.7)	(\$34,175.4)
Deferred Tax	(\$412.9)	(\$412.9)
Rate Base, Taxed Contributions	\$4,585.3	\$4,556.9
Rate Base, Taxed Advances	\$2,904.4	\$2,917.7
<b>Rate Base</b>	<b>\$249,081.7</b>	<b>\$255,520.6</b>

(continued)

**APPENDIX C**  
**Page 3 of 3**

**SAN JOSE WATER COMPANY**  
**INCOME TAX CALCULATION**

(Thousands of Dollars)

	<u>2004</u>	<u>2005</u>
<b><u>Operating Revenue</u></b>		
Operating Revenue	\$158,549.0	\$163,168.0
Deferred Revenue	\$455.2	\$440.2
<b><u>Operating Expenses</u></b>		
Operations & Maintenance	\$21,154.1	\$21,856.1
Purchased Water	\$30,919.0	\$31,274.0
Pump Taxes	\$28,253.0	\$28,196.0
Purchased Power	\$8,102.0	\$8,109.0
Uncollectibles	\$281.0	\$288.0
Administrative & General	\$14,231.8	\$15,694.7
Taxes Other Than Income		
Ad Valorem	\$2,845.7	\$2,928.9
Business Licenses	\$30.8	\$30.8
Franchise Tax	\$410.3	\$417.9
Payroll Tax	\$1,493.4	\$1,568.5
Transportation Depreciation	\$541.0	\$575.1
Meal Disallowed, 50%	(\$33.7)	(\$33.7)
Interest Expense	\$9,433.0	\$9,620.0
Subtotal	\$117,661.4	\$120,525.3
<b><u>State Tax</u></b>		
State Tax Depreciation	\$16,309.8	\$17,325.0
Deferred Revenue (Net of Tax)	\$280.5	\$269.8
State Taxable Income	\$26,191.4	\$26,714.7
State Tax @ 8.84%	\$2,315.3	\$2,361.6
<b><u>Federal Tax</u></b>		
Federal Tax Depreciation	\$15,031.1	\$15,903.9
State Tax Deduction	\$1,833.6	\$2,315.3
Federal Taxable Income		
Excluding Deferred Revenue	\$25,356.1	\$25,550.7
Federal Tax @ 35.00%	\$8,874.6	\$8,942.7
Amortization of Prepaid Tax on CIAC	\$5.9	\$5.9
Total Federal Tax	\$8,880.5	\$8,948.6
<b>Total Income Tax</b>	<u>\$11,195.8</u>	<u>\$11,310.2</u>

**(End of Appendix C)**

**APPENDIX D****Page 1 of 2****SAN JOSE WATER COMPANY  
ADOPTED QUANTITIES**

	<u>2004</u>		<u>2005</u>	
<u>Water Production:</u>	<u>MG</u>	<u>Kccf</u>	<u>MG</u>	<u>Kccf</u>
Purchased Water	21,746	29,070.6	21,996	29,404.7
Surface Water	3,731	4,988.2	3,640	4,866.3
Well Supply	24,375	32,585.0	24,326	32,519.4
Recycled Water	373	498.0	373	498.0
Total Production	50,226	67,141.8	50,335	67,288.4

	<u>2004</u>	<u>2005</u>
<u>Purchased Water/Pump Tax Rates:</u>		
Purchased Water Costs Per MG	\$1,411.74	\$1,411.74
Pump Tax Cost per MG	\$1,150.88	\$1,150.88

<u>Purchased Water/Pump Tax Costs:</u>		
Purchased Water Costs	\$30,919,000	\$31,274,000
Pump Tax Cost	\$28,253,000	\$28,196,000
Total PW/PT	\$59,172,000	\$59,470,000

<u>Purchased Power:</u>		
Mixed Power Cost (\$/kWh)	\$0.14	\$0.14
Total Power Usage (kWh)	59,172,376	59,223,500
Total Power Costs	\$8,102,000	\$8,109,000

<u>Other:</u>		
Conservation Expense	\$39,000	\$40,000
Net-to-Gross Multiplier	1.6950	1.6950
Uncollectible Rate	0.1770%	0.1770%
Business License & Local Franchise Tax Rate	0.31%	0.31%
California Corporate Franchise Tax Rate	8.84%	8.84%
Federal Tax Rate	35.00%	35.00%



# APPENDIX D

Page 2 of 2

## SAN JOSE WATER COMPANY ADOPTED QUANTITIES

### Number of Services by Meter Size:

	Schedule No. 1		Schedule No. RCW	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
5/8 x 3/4 inch	26,451	26,512	0	0
3/4 inch	150,844	151,201	0	0
1 inch	25,487	25,547	2	2
1-1/2 inch	3,681	3,689	1	1
2 inch	4,533	4,543	1	1
3 inch	1,316	1,318	8	8
4 inch	359	360	22	22
6 inch	153	154	1	1
8 inch	30	30	3	3
10 inch	6	6	1	1
12 inch	0	0	0	0
	<u>212,860</u>	<u>213,360</u>	<u>39</u>	<u>39</u>

### Metered Sales (Kccf):

	No. of Services		Usage ( Kccf)		Avg. Usage (ccf)	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Residential & Business	210,898	211,398	57,786	57,923.0	274	274
Industrial	71	71	365	365.0	5,134	5,134
Public Authority	1,622	1,622	3,731	3,731.0	2,300	2,300
Resale	30	30	330	330.0	11,000	11,000
Other	239	239	100	100.0	418	418
	<u>212,860</u>	<u>213,360</u>	<u>62,312</u>	<u>62,449</u>		
Private Fire	2,945	3,015				
Total Potable Sales	<u>215,805</u>	<u>216,375</u>	<u>62,312</u>	<u>62,449.0</u>		
Water Loss (6.8%)			4,538	4,670.0		
Total Potable Water Production			<u>66,850</u>	<u>67,119.0</u>		
Recycled Water	39	39	498	498.0	12,769	12,769
Total Water Production (Kccf)			<u>67,348</u>	<u>67,617</u>		

(End of Appendix D)

**APPENDIX E**  
**Page 1 of 2**

**SAN JOSE WATER COMPANY**  
**RESIDENTIAL & BUSINESS BILL COMPARISON FOR PRESENT AND PROPOSED RATES**

PRESENT RATES				PROPOSED RATES					
Usage (100 CF)			CPUC	2004			2005		
	Amount	Surcharge		Amount	CPUC	Bill Increase	Amount	Surcharge	Bill Increase
<u>3/4-Inch Meter</u>									
3	\$14.30	\$0.20		\$14.50			Serv Chrg = \$11.90	Com Chg = \$1.920	
7	\$21.13	\$0.30		\$21.43			\$17.66	\$0.25	\$17.91 4.01%
10	\$26.25	\$0.37		\$26.62			\$25.34	\$0.35	\$25.69 3.34%
15	\$34.79	\$0.49		\$35.28			\$31.10	\$0.44	\$31.54 3.07%
25	\$51.86	\$0.73		\$52.59			\$40.70	\$0.57	\$41.27 2.79%
40	\$77.47	\$1.08		\$78.55			\$59.90	\$0.84	\$60.74 2.48%
60	\$111.62	\$1.56		\$113.18			\$88.70	\$1.24	\$89.94 2.27%
100	\$179.91	\$2.52		\$182.43			\$127.10	\$1.78	\$128.88 2.16%
							\$203.91	\$2.85	\$206.76 2.04%
<u>1-Inch Meter</u>									
100	\$186.28	\$2.61		\$188.89			Serv Chrg = \$19.84		
150	\$271.65	\$3.80		\$275.45			\$211.85	\$2.97	\$214.82 2.16%
200	\$357.01	\$5.00		\$362.01			\$307.85	\$4.31	\$312.16 2.06%
							\$403.86	\$5.65	\$409.51 2.02%
<u>1-1/2-Inch Meter</u>									
200	\$379.45	\$5.31		\$384.76			Serv Chrg = \$39.67		
250	\$464.82	\$6.51		\$471.33			\$423.69	\$5.93	\$429.62 2.15%
300	\$550.18	\$7.70		\$557.88			\$519.69	\$7.28	\$526.97 2.10%
							\$615.69	\$8.62	\$624.31 2.06%
<u>2-Inch Meter</u>									
300	\$572.65	\$8.02		\$580.67			Serv Chrg = \$63.48		
350	\$658.02	\$9.21		\$667.23			\$639.50	\$8.95	\$648.45 2.17%
400	\$743.38	\$10.41		\$753.79			\$735.51	\$10.30	\$745.81 2.13%
							\$831.51	\$11.64	\$843.15 2.10%

**APPENDIX E**  
**Page 2 of 2**

**SAN JOSE WATER COMPANY**  
**RESIDENTIAL & BUSINESS BILL COMPARISON FOR PRESENT AND PROPOSED RATES**

Usage (100 CF)	PRESENT RATES			PROPOSED RATES					
	CPUC			2004			2005		
	Amount	Surcharge (1.4%)	Bill Amount	Amount	CPUC Surcharge	Bill Amount	Amount	CPUC Surcharge	Bill Amount Increase
<b>3-Inch Meter</b>									
400	\$800.78	\$11.21	\$811.99	Serv Chrg = \$113.33 \$867.30	\$12.14	\$879.44	Serv Chrg = \$119.02 \$887.05	\$12.42	\$899.47 2.3%
450	\$886.15	\$12.41	\$898.56	\$961.54	\$13.46	\$975.00	\$983.06	\$13.76	\$996.82 2.2%
500	\$971.51	\$13.60	\$985.11	\$1,055.79	\$14.78	\$1,070.57	\$1,079.06	\$15.11	\$1,094.17 2.2%
<b>4-Inch Meter</b>									
500	\$1,048.09	\$14.67	\$1,062.76	Serv Chrg = \$188.89 \$1,131.35	\$15.84	\$1,147.19	Serv Chrg = \$198.37 \$1,158.41	\$16.22	\$1,174.63 2.4%
750	\$1,474.92	\$20.65	\$1,495.57	\$1,602.58	\$22.44	\$1,625.02	\$1,638.43	\$22.94	\$1,661.37 2.2%
1000	\$1,901.74	\$26.62	\$1,928.36	\$2,073.81	\$29.03	\$2,102.84	\$2,118.45	\$29.66	\$2,148.11 2.2%
<b>6-Inch Meter</b>									
1000	\$2,073.17	\$29.02	\$2,102.19	Serv Chrg = \$377.77 \$2,262.69	\$31.68	\$2,294.37	Serv Chrg = \$396.74 \$2,316.82	\$32.44	\$2,349.26 2.4%
2000	\$3,780.47	\$52.93	\$3,833.40	\$4,147.60	\$58.07	\$4,205.67	\$4,236.90	\$59.32	\$4,296.22 2.2%
3000	\$5,487.77	\$76.83	\$5,564.60	\$6,032.52	\$84.46	\$6,116.98	\$6,156.98	\$86.20	\$6,243.18 2.1%
<b>8-Inch Meter</b>									
3000	\$5,733.50	\$80.27	\$5,813.77	Serv Chrg = \$604.44 \$6,523.63	\$91.33	\$6,614.96	Serv Chrg = \$634.78 \$6,672.74	\$93.42	\$6,766.16 2.3%
5000	\$9,148.10	\$128.07	\$9,276.17	\$10,293.46	\$144.11	\$10,437.57	\$10,512.90	\$147.18	\$10,660.08 2.1%
10000	\$17,684.60	\$247.58	\$17,932.18	\$19,718.03	\$276.05	\$19,994.08	\$20,113.30	\$281.59	\$20,394.89 2.0%
<b>10-Inch Meter</b>									
10000	\$17,877.61	\$250.29	\$18,127.90	Serv Chrg = \$868.88 \$19,718.03	\$276.05	\$19,994.08	Serv Chrg = \$912.50 \$20,113.30	\$281.59	\$20,394.89 2.0%
11000	\$19,584.91	\$274.19	\$19,859.10	\$21,602.95	\$302.44	\$21,905.39	\$22,033.38	\$308.47	\$22,341.85 2.0%
12000	\$21,292.21	\$298.09	\$21,590.30	\$23,487.86	\$328.83	\$23,816.69	\$23,953.46	\$335.35	\$24,288.81 2.0%

(End of Appendix E)

**APPENDIX F****Page 1 of 2****SAN JOSE WATER COMPANY****REQUESTED RECOVERY FROM  
WATER CONTAMINATION LITIGATION MEMORANDUM ACCOUNT****(Dollars)**

Water Contamination Litigation Memorandum Account established pursuant to Commission Resolution No. W-4094  
Interest on memorandum account pursuant to D.94-06-033, Ordering Paragraph No. 1.

	<b>1998 (May-Dec)</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Total</b>
<b>Legal Costs</b>	\$18,064	\$18,388	\$13,302	\$12,000	\$0	\$61,754
<b>Interest</b>	\$361	\$1,610	\$3,117	\$2,198	\$1,176	\$8,462
<b>Total</b>	\$18,425	\$19,998	\$16,419	\$14,198	\$1,176	\$70,216
<b>Adjustment in Local Franchise Tax:</b>	(from WP 10-5)		0.2703%			\$190
<b>Adjustment in Uncollectibles:</b>	(from WP 8-24)		0.2846%			\$200
<b>Total Requested Recovery in a One Time Surcharge</b>						\$70,606
<b>Total Estimated Potable Metered Customers 2004</b>			(from WP 7-1A)			212,860

**Water Contamination Litigation Memorandum Account One Time Surcharge****\$0.33**

**APPENDIX F****Page 2 of 2****SAN JOSE WATER COMPANY**

**REQUESTED RECOVERY FROM  
UNDERCOLLECTION OF BALANCING ACCOUNT  
(Dollars)**

Undercollection of Balancing Account prior to November 29, 2001  
Pursuant to Ordering Paragraph 2 of Interim Decision No. 02-12-055.

<u>Category &amp; Decision/Advice Letter No.</u>	<u>Status</u>	<u>Amount</u>
Balancing Account Total as of End of GR	Balance to be Refunded	(\$966,337)
(Incl. Interest)		
Purchased Power		
PG&E Rate Increase Jan. 4, 2001	Balance to be Offset	\$497,153
Purchased Power		
PG&E Rate Increase June 1, 2001	Balance to be Offset	\$1,520,380
Catastrophic Events Memorandum Account	Balance to be Offset	\$41,193
Balance after D.01-04-034		
Water Quality Memorandum Account	Balance to be Offset	\$92,062
Balance after D.01-04-034		
Purchased Water (AL 325)		
SCVWD Rate Increase Jul. 1, 2001	Balance to be Offset	\$40,596
Pump Tax (AL 325)		
SCVWD Rate Increase Jul. 1, 2001	Balance to be Refunded	(\$8,437)
Purchased Power (AL 325)		
PG&E Rate Increase Jul. 1, 2001	Balance to be Refunded	(\$833,706)
Interest on Balancing Account	Balance to be Refunded	(\$2,944)
NET BALANCE TO BE OFFSET/(REFUNDED)		\$379,960
Adjustment in Local Franchise Tax:	(from WP 10-5)	0.2703% \$1,027
Adjustment in Uncollectibles:	(from WP 8-24)	0.2846% \$1,081
Total Recovery Requested		\$382,068
Total Estimated Usage	(from WP 7-1B)	62,174,514
Balancing Account Undercollection Recovery 12 month Quantity Surcharge		\$0.0061 \$/ccf

**(End of Appendix F)**

# APPENDIX G

## SAN JOSE WATER COMPANY

### Surcharge Information

REFERENCE	ITEM	MONTH	KWH/AF USED	RATE CHANGE (Per Unit)	NUMBER OF UNITS	BEG OF MONTH	IN(DE)CRE- MENTAL/ B/A SURCG REVENUE	IN(DE)CRE- MENTAL EXPENSE	CUM INCRE REV v EXP	END OF MONTH
-----------	------	-------	-------------	------------------------	-----------------	--------------	---	---------------------------------	---------------------------	--------------------

Balancing Account Balance incl. Interest, End of GRC

Excludes IDC D.00-12-051 and PG&E Rate Increases from 1/04/01 and 3/27/01

(\$966,337)

Catastrophic Event Memorandum Account Balance Remaining

after D.01-04-034

(966,337)

41,193

41,193

(\$925,144)

Water Quality Memorandum Account Balance Remaining

after D.01-04-034

(925,144)

92,062

92,062

(\$833,082)

Interest During Construction D.00-12-051

Balance being refunded via surcredit (AL 325)

(833,082)

(1,071,853)

0

(\$833,082)

Pending POWER  
(1/4/2001)

2001	Jan 4th	759,576	\$0.010000	per kWh	0	7,596	7,596	(\$825,486)
	Feb	1,459,767			0	14,598	22,194	(\$810,888)
	Mar	2,937,078			0	29,371	51,565	(\$781,517)
	Apr 1-24	1,962,966			0	19,630	71,195	(\$761,887)
	Apr 25-30	490,742			0	4,907	76,102	(\$756,980)
	May	3,091,890			0	30,919	107,021	(\$726,061)
	Jun	6,170,272			0	61,703	168,724	(\$664,358)
	Six Months Subtotal	16,872,291			0	168,724		

# APPENDIX G

## SAN JOSE WATER COMPANY

### Surcharge Information

REFERENCE	ITEM	MONTH	KWH/AF USED	RATE CHANGE (Per Unit)	NUMBER OF UNITS	BEG OF MONTH	IN(DE)CRE-MENTAL/ B/A SURCG REVENUE	IN(DE)CRE-MENTAL EXPENSE	CUM INCRE REV v EXP	END OF MONTH
		Jul	5,458,307			(664,358)	0	54,583	223,307	(\$609,775)
		Aug	8,286,672			(609,775)	0	82,867	306,174	(\$526,908)
		Sep	7,978,268			(526,908)	0	79,783	385,957	(\$447,125)
		Oct	6,159,451			(447,125)	0	61,595	447,552	(\$385,530)
		Nov	4,960,135			(385,530)	0	49,601	497,153	(\$335,929)
		Dec								
		Six Months Subtotal	32,842,833				0	328,429		
		2001 Annual Total	49,715,124				0	497,153		

Total Purchased Power Net Change from 1/04/2001 Rate Change.

(833,082) 0 497,153 (\$335,929)

Pending POWER (6/01/2001) 2001

		Jun	6,170,272	\$0.038971	per kWh	(335,929)	0	240,462	240,462	(\$95,467)
		Six Months Subtotal	6,170,272				0	240,462		
		Jul	5,458,307			(95,467)	0	212,716	453,178	\$117,249
		Aug	8,286,672			117,249	0	322,940	776,118	\$440,189
		Sep	7,978,268			440,189	0	310,921	1,087,039	\$751,110
		Oct	6,159,451			751,110	0	240,040	1,327,079	\$991,150
		Nov	4,960,135			991,150	0	193,301	1,520,380	\$1,184,451
		Dec								
		Six Months Subtotal	32,842,833				0	1,279,918		
		2001 Annual Total	39,013,105				0	1,520,380		

Total Purchased Power Net Change from 6/01/2001 Surcharge Rate Increase. Recalculated for October 2001.

(335,929) 0 1,520,380 \$1,184,451

# APPENDIX G

## SAN JOSE WATER COMPANY

### Surcharge Information

REFERENCE	ITEM	MONTH	KWH/AF USED	RATE CHANGE (Per Unit)	NUMBER OF UNITS	BEG OF MONTH	IN(DE)CRE-MENTAL/ B/A SURCG REVENUE	IN(DE)CRE-MENTAL EXPENSE	CUM INCRE REV v EXP	END OF MONTH
AL 325	PURCHASED POWER									
	2001	Jul		\$0.0310	2,559,672	1,184,451	79,350	0	(79,350)	\$1,105,101
		Aug		per ccf sold	5,381,073	1,105,101	166,813	0	(246,163)	\$938,288
		Sep			6,902,559	938,288	213,979	0	(460,142)	\$724,309
		Oct			6,257,461	724,309	193,981	0	(654,123)	\$530,328
		Nov			5,792,989	530,328	179,583	0	(833,706)	\$350,745
		Dec								
	Six Months Subtotal						833,706	0		
	2001 Annual Total						833,706	0		
	Total Purchased Power Increase from 7/3/01 Rate Change					1,184,451	833,706	0		\$350,745
AL 325	PURCHASED WATER									
	2001 (JV 33)	Jul	7,414	\$30	2,559,672	350,745	84,725	222,420	137,695	\$488,440
		Aug	7,297	\$0.0331	5,381,073	488,440	178,114	218,910	178,491	\$529,236
		Sep	6,657		6,902,559	529,236	228,475	199,710	149,726	\$500,471
		Oct	5,468		6,257,461	500,471	207,122	164,040	106,644	\$457,389
		Nov	4,190		5,792,989	457,389	191,748	125,700	40,596	\$391,341
		Dec								
	Six Months Subtotal						890,184	930,780		
	2001 Annual Total						890,184	930,780		
	Total Purchased Water Increase from 7/3/01 Rate Change					350,745	890,184	930,780		\$391,341



# APPENDIX G

## SAN JOSE WATER COMPANY

### Surcharge Information

REFERENCE	ITEM	MONTH	KWH/AF USED	RATE CHANGE (Per Unit)	NUMBER OF UNITS	BEG OF MONTH	IN(DE)CRE- MENTAL/ B/A SURCG REVENUE	IN(DE)CRE- MENTAL EXPENSE	CUM INCRE REV v EXP	END OF MONTH
AL 325	PUMP TAX									
	2001	Jul	7,768	\$20	2,559,672	391,341	62,712	155,360	92,648	\$483,989
	(JV 33)	Aug	7,356	\$0.0245	5,381,073	483,989	131,836	147,120	107,932	\$499,273
		Sep	6,587		6,902,559	499,273	169,113	131,740	70,559	\$461,900
		Oct	6,054		6,257,461	461,900	153,308	121,080	38,331	\$429,672
		Nov	4,758		5,792,989	429,672	141,928	95,160	(8,437)	\$382,904
		Dec								
	Six Months Subtotal						658,897	650,460		
	2001 Annual Total						658,897	650,460		

Total Pump Tax Increase from 7/3/01 Rate Change

\$382,904

## INTEREST ON BALANCING ACCOUNT

D.94-06-033	2001	Apr 25-30		(1,320)	(1,320)	\$381,584
		May		(5,733)	(7,053)	\$375,851
		Jun		(4,535)	(11,588)	\$371,316
	Six Months Subtotal			(11,588)		
		Jul		(1,748)	(13,336)	\$369,568
		Aug		852	(12,484)	\$370,420
		Sep		1,090	(11,394)	\$371,510
		Oct		893	(10,501)	\$372,403
		Nov		635	(9,866)	\$373,038
		Dec		560	(9,306)	\$373,598
	Six Months Subtotal			2,282		
	2001 Annual Total			(9,306)		

# **APPENDIX G**

## **SAN JOSE WATER COMPANY**

### Surcharge Information

REFERENCE	ITEM	MONTH	KWH/AF USED	RATE CHANGE (Per Unit)	NUMBER OF UNITS	BEG OF MONTH	IN(DE)CRE- MENTAL/ B/A SURCG REVENUE	IN(DE)CRE- MENTAL EXPENSE	CUM INCRE REV v EXP	END OF MONTH
	2002	Jan					523		(8,783)	\$374,121
		Feb					561		561	\$374,682
		Mar					599		599	\$375,281
		Apr					563		563	\$375,844
		May					564		(8,219)	\$376,408
		Jun					565		(7,654)	\$376,973
		Six Months Subtotal					<u>3,375</u>			
		Jul					565		(7,089)	\$377,538
		Aug					529		(6,560)	\$378,067
		Sep					529		(6,031)	\$378,596
		Oct					530		(5,501)	\$379,126
		Nov					417		(5,084)	\$379,543
		Dec					417		(4,667)	\$379,960
		Six Months Subtotal					<u>2,987</u>			
		2001 Annual Total					<u>6,362</u>			

(End of Appendix G)